
Iowa Legislative Fiscal Bureau

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Iowa Finance Authority

ISSUE

A summary of the history, purpose, and finances of the Iowa Finance Authority (IFA).

AFFECTED AGENCIES

Iowa Finance Authority

CODE AUTHORITY

Chapter 16, Code of Iowa

See *Also*: Section 7C.12, Section 7E.7(1), Section 12.30, Section 15.281 to 15.288, Sections 34A.2 to 34A.22, Section 68B.35, and Sections 260C.71 to 260C.73, Code of Iowa

BACKGROUND

The Iowa Housing Finance Authority was created in 1975 by HF 823. The name was changed to the Iowa Finance Authority in 1985. The original mission of the Authority was to undertake programs which assist in the attainment of qualified housing, by encouraging the investment of private capital, and stimulating the construction and rehabilitation of adequate housing through the use of public financing.

By subsequent amendments to the Act, the Authority's responsibilities have been greatly expanded. The Authority administers the:

- Iowa Title Guaranty Program, the Housing Assistance Fund Program
- The Mortgage Credit Certificate Program
- The Homeless Shelter Assistance Program
- The Down Payment/Closing Cost Grant Program
- The Low-Income Housing Tax Credit Program

The Authority issues bonds under the Single Family and Multi-Family Housing Programs, Small Business Loan Program, and Economic Development Bond Bank Program.

The Authority has also been authorized to cooperate with other State entities and to issue bonds to provide financing for various State and local needs, such as the Iowa Sewage Treatment Works Financing Program, the Underground Storage Tank Program, community college dormitory financing, the Rural Community 2000 Program, juvenile housing and treatment facilities, the Enhanced 911 Emergency Telephone Communications System, and the Correctional Facility Program.

The powers of the Authority are vested in a nine-member Board. The Title Guaranty Division has a separate five-member Board. The members of both Boards are appointed to staggered six-year terms. The Authority has an Executive Director, appointed by the Governor and confirmed by the Senate.

Over time, the Iowa Legislature has authorized additional programs to be undertaken by the Authority. The obligations of the Authority are payable only from specific revenues or assets pledged and do not constitute general obligations of the State.

Attachment A provides a list of major legislative changes to the duties of the Iowa Finance Authority.

CURRENT SITUATION

Iowa Finance Authority Programs

The ***First-Time Home Buyers Program*** offers low-interest mortgage loans to qualified buyers. The Authority sells tax-exempt bonds to investors and the proceeds are provided to lenders to make below-market loans to qualified buyers.

The ***Down Payment/Closing Cost Program*** provides grants to qualified low-income lowans to cover a portion of closing and down payment costs.

The ***Mortgage Credit Certificate Program*** reduces a qualified buyer's federal income tax liability by providing a tax credit for 25.0% of the interest paid on a home mortgage.

The ***Affordable Housing Tax Credit Program*** provides federal tax credits as an incentive for housing developers to construct or improve affordable rental housing.

The ***Homeless Shelter Assistance Grant Program*** provides for construction, rehabilitation, expansion, emergency financing, and operation of eligible group homeless shelters.

The ***Home Maintenance and Repair Assistance Program*** provides assistance for elderly, handicapped, or disabled lowans who qualify as low-income families.

The ***Rental Rehabilitation Program*** provides assistance for the construction or rehabilitation of single or multi-family rental properties leased to low-income families.

The ***Home Ownership Incentive Program*** provides help to low-income families seeking single family home ownership.

The ***Rural Community 2000 Program*** (housing category) assists communities and rural areas with development and governmental responsibilities by providing loans and grants for housing. Any local government, housing agency, or other entity (profit or not-for-profit) is eligible to apply for financial assistance. Applicants must be seeking assistance in meeting the housing needs of low and moderate income individuals. A local financial commitment is required.

The **Title Guaranty Program** is a self-sustaining mechanism to guaranty real property titles. The Program facilitates mortgage lender participation in the secondary market and adds to the integrity of the land title transfer system. The Authority establishes and collects premiums for the guarantees and procures reinsurance against each guaranty in excess of \$100,000. The premiums charged are sufficient to permit the Program to pay all administrative costs, maintain an adequate reserve against claims, and provide additional funding for housing programs. As of June 30, 1996, the Title Guaranty Program has provided \$9.8 billion in guaranty coverage and has transferred \$11.4 million to the Housing Program Fund.

The Authority also serves as the financing mechanism for various State and local programs. The bonds issued are not obligations of the Authority. The programs are listed below, along with the Code of Iowa citation and the total bonding accomplished through IFA.

Program	<u>Code</u> Cite	Bonded Amount (millions)
Small Business Loan and Economic Development Bond Bank	16.61 &16.101	\$ 1,009.0
Sewage Works	16.131	204.8
Underground Storage Tank	16.151	114.1
Enhanced 911 Telephone	16.161	3.9
Municipal Investment Recovery	16.171	12.2
Prison Infrastructure	16.177	98.0
Rural Community 2000	16.141	0.0
Community College Bonding	16.162	0.0
Juvenile Treatment Facility	16.155	0.0
Flood Damage Loan	16.181	0.0
Export Business Finance	16.121	0.0
Total		\$ 1,442.0

Iowa Finance Authority Funding

The Authority issues tax-exempt bonds for public purposes related to housing. Since its inception, the Authority has issued over \$994.0 million in bonds for single family and multi-family housing. As of June 30, 1996, \$323.4 million in bond principal and \$497.0 million in projected interest payments are outstanding. Current bond issues will be fully retired July 1, 2028.

The **Housing Program Fund** is created in Section 16.40, Code of Iowa. Moneys in the Fund are to be used to cover the initial commitment costs of Authority bond issues and in accordance with Section 16.100, Code of Iowa to support programs for homeless shelters, home maintenance and repair, low income rental housing rehabilitation, and low income home ownership incentives.

The **Title Guaranty Fund** is created in Section 16.91, Code of Iowa. Moneys in the Fund are to be used to pay all claims, necessary reserves, and all administrative costs of the Title Guaranty Program. Excess funds shall be transferred to the Housing Trust Fund.

The **Housing Improvement Fund** is created in Section 16.100(1), Code of Iowa. Moneys in the Fund are to be allocated by the Authority to Programs authorized by Section 16.100, Code of Iowa, which include the same Programs funded by the Housing Program Fund, plus the housing category of the Rural Community 2000 Program created in Section 15.286, Code of Iowa.

The **Housing Finance Revolving Fund** is used as an administration fund for the Authority. Funding comes from a portion of bond proceeds. The funds are used for personnel and other administrative expenditures.

The major funding sources for the Authority are the General Fund, bond proceeds, property title guaranty fees, the Real Estate Transfer Tax, application fees, and interest. **Attachment B** shows the FY 1996 financial activities of the four IFA funds. **Attachment C** shows the annual ending balances in the funds for FY 1990 through FY 1996. **Attachment C** also shows the General Fund appropriations for the same time period and FTE positions.

Special Powers of the Authority

Chapter 16, Code of Iowa, grants many powers to the Authority relating to financing of housing mortgages and projects. Due to the nature of the duties assigned to the Iowa Finance Authority, many special powers and exemptions from common practice are granted to assist in completion of the Authority's mission. Some of the more notable are listed below:

- Section 16.5(9) & 16.31(1) - Permission to retain public funds in private financial institutions, notwithstanding Code of Iowa Chapters 12B (Security of the Revenue) and 12C (Deposit of Public Funds). The Authority currently has \$391.2 million in Single Family/Multi-Family Revenue Bond proceeds on deposit with Norwest Minnesota.
- Section 16.6(2) - All Iowa Finance Authority employees are exempt from the State Merit System.
- Section 16.10 - Permission to transfer all Authority money declared to be surplus funds to other Authority programs.
- Section 16.11 - Permission to combine any Authority program with any other Authority Program or the Iowa Agriculture Development Act.
- Section 16.26(5) - Permission to use any funds remaining after the terms of a bond escrow have been fully satisfied for any lawful purpose.
- Section 16.32 - The Authority Board and persons acting on its behalf, are not subject to personal liability resulting from carrying out the powers and duties of Chapter 16.
- Section 16.34 - The provisions of Chapter 16, Code of Iowa are to be liberally construed.
- Section 16.36 - Exempts the Authority from competitive bidding requirements for a number of its programs.
- Section 16.91(1) - Permits the transfer of excess money from the Title Guaranty Fund to the Housing Program Fund.

- Section 16.177(4)(b) - Exemptions from the requirements of Code of Iowa Chapters 73A, 74, 74A, and 75 (relating to public contracts, bonds, obligations, and interest rates) for prison infrastructure bonds.

STAFF CONTACT: Jeff Robinson (Ext. 16767)

Legislative History of the Iowa Finance Authority (IFA)

- 1975 - HF 823 - Iowa Housing Finance Authority created
- 1982 - HF 2464 - Iowa Small Business Loan Program added to duties
- 1985 - SF 577 - Name changed to Iowa Finance Authority
- 1985 - SF 577 - Title Guaranty added to duties
- 1985 - SF 577 - Housing Program Fund created
- 1986 - SF 2291 - Economic Development Bond Bank Program added to duties
- 1987 - HF 603 - Housing Improvement Fund created
- 1987 - HF 636 - Export Business Finance Program added to duties
- 1988 - SF 2092 - Sewage Treatment Finance Program added to duties
- 1989 - HF 447 - Underground Storage Tank Program added to duties
- 1989 - HF 703 - Rural Community 2000 Program added to duties
- 1990 - HF 2517 - Juvenile Treatment Facilities Program added to duties
- 1991 - SF 209 - \$400,000 from the Title Guaranty Fund transferred to the General Fund
- 1992 - SF 2064 - Municipal Investment Recovery Program added to duties
- 1994 - HF 2435 - Flood Damage Loan Program added to duties
- 1994 - HF 2415 - 5.0% of the Real Estate Transfer Tax dedicated to IFA
- 1994 - HF 2350 - Prison Infrastructure Program added to duties
- 1996 - SF 2464 - \$1.0 million General Fund appropriation to IFA to assist in the creation of Housing Councils
- 1996 - SF 2464 - 66.6% of Real Estate Transfer Tax dedicated to IFA, with 40.0% of the transfer dedicated to the Housing Improvement Fund and 60.0% distributed to counties for housing development at the local level (item vetoed by the Governor)

FY 1996 Iowa Finance Authority Revenue and Expenditures

	Housing Improvement Fund	Title Guaranty Fund	Housing Finance Revolving Fund	Housing Program Fund	Total
Beginning Balance	\$ 1,930,763	\$ 3,761,593	\$ -23,344	\$ 328,585	\$ 5,997,597
General Fund	510,000	0	0	0	510,000
Wallace Fund Transfer	100,000	0	0	0	100,000
Interest	124,630	567,206	0	38,708	730,544
Bonds-Loans	250,892	0	1,400,000	52,613	1,703,505
Fees, etc.	378,915	1,895,857	0	0	2,274,772
Regular Revenue	1,364,437	2,463,063	1,400,000	91,321	5,318,821
Internal Transfers In	0	0	0	2,050,000	2,050,000
Total Revenue	\$ 1,364,437	\$ 2,463,063	\$ 1,400,000	\$ 2,141,321	\$ 7,368,821
Expenses					
Personnel	0	298,718	801,170	0	1,099,888
Other Administration	0	50,637	113,378	111,468	275,483
Rentals	0	63,012	159,069	0	222,081
Professional Service	0	112,259	229,572	81,760	423,591
Dept. of Inspect. & Appeals	0	25,000	0	0	25,000
Off. of State/Fed Relations	0	0	18,150	0	18,150
Home Maintenance Aid	227,357	0	0	0	227,357
R.C. 2000 Aid	629,733	0	0	0	629,733
Homeless Aid	445,427	0	0	0	445,427
Housing Program Aid	0	0	0	1,174,036	1,174,036
Regular Expenditures	1,302,517	549,626	1,321,339	1,367,264	4,540,746
Internal Transfers Out	0	2,050,000	0	0	2,050,000
Total Expenditures	\$ 1,302,517	\$ 2,599,626	\$ 1,321,339	\$ 1,367,264	\$ 6,590,746
Ending Balance	\$ 1,992,683	\$ 3,625,030	\$ 55,317	\$ 1,102,642	\$ 6,775,672
Ending Balance Change	\$ 61,920	\$ -136,563	\$ 78,661	\$ 774,057	\$ 778,075

Iowa Finance Authority Fiscal Year Ending Balances

Fund	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Housing Trust	\$ 45,491	\$ 1,851,623	\$ 4,831,405	\$ 3,423,852	\$ 2,104,818	\$ 1,930,764	\$ 1,992,683
Title Guarantee	1,611,159	1,751,042	1,902,376	2,441,978	2,956,507	3,761,246	3,625,030
Housing Finance Revolving	16,456	49,557	83,627	39,753	128,643	-23,343	55,317
Rural Development	1,231,766	2,688,414	0	0	0	0	
Cost Commitment	2,204,881	2,705,915	2,403,435	1,174,856	692,498	328,586	1,102,642
Total	\$ 5,109,753	\$ 9,046,551	\$ 9,220,843	\$ 7,080,439	\$ 5,882,466	\$ 5,997,253	\$ 6,775,672

REVISED

General Fund Appropriations

General Fund Approps	\$ 100,000	\$ 2,900,000	\$ 2,685,076	\$ 1,000,000	\$ 0	\$ 510,000	\$ 1,510,000
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FTE Positions

FTE Positions	N/A	N/A	N/A	24.88	25.81	24.81	23.70
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